

**U.S. DEPARTMENT OF ENERGY**  
**NEVADA OPERATIONS OFFICE**

**MANUAL**

**NV M 210.X**

Approved: 08-22-00  
Review Date: 08-22-02  
Expires: 08-22-04

**CONTRACTOR PERFORMANCE  
ADMINISTRATION**

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**INITIATED BY:**  
**Contracts Management Division**

## CONTRACTOR PERFORMANCE ADMINISTRATION

NV M 210.X

8-22-00

1

1. OBJECTIVES. To provide the mechanism for developing the critical few performance objectives, measures, and expectations required to maintain contractor management focus on DOE Nevada Operations Office (DOE/NV) management and program objectives; to assess their performance; and develop adequate documentation.
2. CANCELLATION. NV PI 97-012, DOE/NV PERFORMANCE FEE ADMINISTRATION, dated 10-24-97.
3. APPLICABILITY.
  - a. DOE/NV Organizational Elements. The provisions of this Manual apply to DOE/NV organizational elements.
  - b. Contractors. The requirements applicable to the DOE/NV contractors, national laboratories, other federal agencies, and other user organizations are set forth in the Contractor Requirements Document (CRD), Attachment 1. Compliance with the CRD will be required to the extent set forth in a contract or agreement.
4. REQUIREMENTS.
  - a. Implement the fee evaluation process for the Performance-Based Management Contractors (PBMC) as defined in Chapters 1 through 4.
  - b. For national laboratory safety performance evaluation (reference applicable management agreements between DOE/NV, DOE Albuquerque Operations Office (DOE/AL) and DOE Oakland Operations Office (DOE/OAK) respectively).
    - (1) Identify any safety related performance expectations relevant to the national laboratory work within the DOE/NV Complex and communicate these expectations to the respective U.S. Department of Energy (DOE) Contracting Officer at DOE/AL or DOE/OAK.
    - (2) Evaluate any safety related performance criteria requested by DOE/AL or DOE/OAK regarding national laboratory safety performance within the DOE/NV Complex and provide input as required.

## CONTRACTOR PERFORMANCE ADMINISTRATION

NV M 210.X  
8-22-00

2

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### 5. RESPONSIBILITIES.

#### a. DOE/NV Manager.

- (1) Serves as the Fee Determination Official (FDO).
- (2) Chairs the DOE/NV Executive Council.
- (3) Ensures the PBMC contract requirements adequately support DOE program and strategic objectives.
- (4) Ensures evaluation of the PBMC contractor performance outcomes against contract requirements.
- (5) Approves national laboratories' safety performance expectations and evaluations to be transmitted to DOE/AL and DOE/OAK.

#### b. Contracting Officer.

- (1) Ensures that planning guidance and the DOE/NV work breakdown structure are established.
- (2) Ensures the development of PBMC incentive fee performance expectations, award fee criteria, and weights for fee allocation.
- (3) Approves the PBMC Performance Evaluation Plan (PEP).
- (4) Approves PBMC scorecards displaying completion and achievement of the performance measures and expectations and approves the earned fee.
- (5) Ensures the establishment of the PBMC fee pool.
- (6) Approves changes to the PBMC PEP.

## CONTRACTOR PERFORMANCE ADMINISTRATION

NV M 210.X  
8-22-00

3

c. Executive Council.

- (1) Prioritizes all work scopes, performance objectives, and measures taking into consideration DOE's Strategic Plan, DOE Headquarters (DOE/HQ) Operating Plans, and DOE/NV's Strategic Plan.
- (2) Establishes the "critical few" performance measures.
- (3) Develops PBMC award fee criteria.
- (4) Determines the allocation of weight for PBMC incentive fee and award fee and the further allocation of incentive fee weight to individual performance measures.
- (5) Develops the PBMC PEP, which reflects the incentive fee critical few performance measures and award fee criteria to achieve DOE/NV's management and program requirements.
- (6) Evaluates the PBMC's overall performance and recommends earned fee to the FDO.
- (7) Approves and transmits the national laboratories' safety performance expectations and evaluations to DOE/AL and DOE/OAK.

d. Assistant Managers.

- (1) Coordinates PBMC performance measures with DOE/NV, DOE/HQ, national laboratories, other customers, and the PBMC.
- (2) Document the rationale for PBMC performance measures and expectations.
- (3) Assign responsibilities to DOE/NV Division Directors to monitor and evaluate progress in completion of PBMC performance measures and award fee criteria.
- (4) Review achievement of performance measures and award fee criteria by PBMC.

## CONTRACTOR PERFORMANCE ADMINISTRATION

NV M 210.X  
8-22-00

4

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e. Contracts Management Division (CMD).

- (1) Issues a call letter to DOE/NV and DOE/HQ requesting input on program/performance objectives and performance measures for the upcoming fiscal year.
- (2) Submits the draft PBMC PEP to DOE/NV, DOE/HQ, and the PBMC for review and comment.
- (3) Consolidates, coordinates, and incorporates comments on the PBMC PEP.
- (4) Obtains appropriate concurrence and approvals of the PBMC PEP.
- (5) Modifies the PBMC contract to incorporate by reference the approved PEP.
- (6) Assists the Contracting Officer with development of fee pool, prenegotiation objectives, and fee pool negotiations.
- (7) Coordinates quarterly review meetings with DOE/NV Senior Management to discuss the PBMC's progress and performance.
- (8) Coordinates training for participants in the PBMC performance measures and award fee process.
- (9) Issues call letter to DOE/NV and DOE/HQ for input to PBMC's incentive fee and award fee assessments.

f. Division Directors.

- (1) Establish a partnering relationship with the PBMC and customer counterparts to provide high value deliverables.
- (2) Assist in the development of expectations with their PBMC counterparts.
- (3) Prepare and document baseline cost estimate and rationale for each performance measure and expectation.

## CONTRACTOR PERFORMANCE ADMINISTRATION

NV M 210.X  
8-22-00

5

- (4) Review and critique progress reports by the PBMC.
- (5) Support meetings with the PBMC and customer counterparts to discuss performance progress and achievement.
- (6) Review and evaluate PBMC achievement of performance measures as identified on the scorecard.
- (7) Initiate PBMC PEP Change Requests.
- (8) Provide performance measures and award fee evaluation input to the responsible Assistant Manager.
- (9) Provides recommended national laboratory safety performance expectations for consideration by DOE/AL and DOE/OAK.
- (10) Monitor and document national laboratories' safety performance in accordance with DOE/AL and DOE/OAK expectations.

### 6. REFERENCES.

- a. NV PI 97-008, DOE/NV INTEGRATED MANAGEMENT SCHEDULE, dated 5-29-97.
- b. NV M 410.XA, TASK PLAN AND CHANGE CONTROL PROCESS, dated 8-22-00.
- c. "U.S. Department of Energy Nevada Operations Office Contract With Bechtel Nevada for Management and Operating Support for the Nevada Operations Office," Contract DE-AC08-96NV11718.
- d. Memorandum of Agreement between DOE/NV and DOE/AL.
- f. Memorandum of Agreement between DOE/NV and DOE/OAK.

### 7. DEFINITIONS.

- a. Award Fee. The subjective fee component of Performance Fee.

## CONTRACTOR PERFORMANCE ADMINISTRATION

NV M 210.X  
8-22-00

6

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- b. Executive Council. DOE/NV Senior Management group responsible for recommending the PBMC earned fee to the FDO.
- c. Expected Performance Level. Meets agreed upon requirements and performance objectives.
- d. Fee Determination Official. The final authority in determination of fee award to the PBMC.
- e. Incentive Fee. The objective fee component of Performance Fee.
- f. Performance Expectation. The desired condition or target level of performance for each measure.
- g. Performance Evaluation Plan. A plan that includes scorecards that address performance fee and award fee performance requirements for a given fiscal year (FY).
- h. Performance Fee. Fee for incentivizing superior performance which consists of both objective and subjective components.
- i. Performance Measure. The quantitative method for characterizing performance.
- j. Performance Measure Fee Rating Criteria. The left side of a scorecard used for development of milestones.
- k. Performance Measure Fee Rating Report. The right side of a scorecard used for monitoring and tracking of milestones.
- l. Performance Measure Fee Statement. A letter from the PBMC to DOE/NV's Contracting Officer requesting authorization of fee.
- m. Performance Objective. A statement of desired results from an organization or activity.
- n. Performance Period. The two specific periods for which the DOE/NV Executive Council evaluates the PBMC's overall performance; October 1 through March 31, and April 1 through September 30.

## CONTRACTOR PERFORMANCE ADMINISTRATION

NV M 210.X

8-22-00

7 (and 8)

- o. Scorecard. Document indicating milestones, deliverables, dates, fee, etc., for each performance measure.
- p. Stretch Performance Level. Exceeds the expected quality and value associated with acceptable performance level.
- q. Task Plan. The execution year baseline that serves as the agreement between the PBMC and DOE/NV Task Plan Managers to perform a specific scope of work.
- r. Transmittal Letter. Formal letter officially transmitting a deliverable.

### 8. ATTACHMENTS.

- a. Performance Fee Scorecard
  - b. Award Fee Scorecard
  - c. Performance Evaluation Plan Change Request
  - d. Checklist for Development of Performance Measures
  - e. Documentation of Performance Measure/Expectation Validation Process
  - f. Assessment of Contractor Performance Award Fee Report
9. CONTACT. Questions concerning this Manual should be addressed to DOE/NV CMD at (702) 395-3206.



Kathleen A. Carlson  
Manager



# CONTRACTOR PERFORMANCE ADMINISTRATION

NV M 210.X  
8-22-00

i (and ii)

## TABLE OF CONTENTS

	<u>Page</u>
CHAPTER I--FEE STRUCTURE .....	I-1
1. FEE CONCEPT .....	I-1
2. INCENTIVE FEE .....	I-2
3. AWARD FEE .....	I-2
CHAPTER II--PEP DEVELOPMENT .....	II-1
1. DEVELOPMENT OF SCORECARDS .....	II-1
2. FEE POOL NEGOTIATION PROCESS .....	II-1
3. FINALIZATION OF THE PEP .....	II-2
CHAPTER III--CHANGE CONTROL PROCESS .....	III-1
CHAPTER IV--PERFORMANCE EVALUATION .....	IV-1
Attachment 1--CONTRACTOR REQUIREMENTS DOCUMENT .....	1-1
Attachment 2--PERFORMANCE FEE SCORECARD .....	2-1
Attachment 3--AWARD FEE SCORECARD .....	3-1
Attachment 4--PERFORMANCE EVALUATION PLAN CHANGE REQUEST ....	4-1
Attachment 5--CHECKLIST FOR DEVELOPMENT OF PERFORMANCE MEASURES .....	5-1
Attachment 6--DOCUMENTATION OF PERFORMANCE MEASURE/ EXPECTATION VALIDATION PROCESS .....	6-1
Attachment 7--ASSESSMENT OF CONTRACTOR PERFORMANCE AWARD FEE REPORT .....	7-1
Attachment 8--ASSESSMENT OF CONTRACTOR PERFORMANCE AWARD FEE EXPECTATIONS .....	8-1

# CONTRACTOR PERFORMANCE ADMINISTRATION

NV M 210.X  
8-22-00

I-1

## CHAPTER I

### FEE STRUCTURE

The following chapters define the detailed steps for fee administration of the PBMC contract.

#### 1. FEE CONCEPT.

Performance-based management contracting principles emphasize results-oriented work statements, and performance objectives, measures, and expectations, to incentivize contractors to achieve excellent performance. DOE/NV implements performance-based management contracting principles through processes associated with STRATEGIC PLANNING, BUDGET FORMULATION, BUDGET EXECUTION, AND PERFORMANCE EVALUATION. These processes, defined in the INTEGRATED MANAGEMENT SCHEDULE, NV PI 97-008, consist of strategic planning, developing performance objectives, defining work scope through the Task Planning Process, and evaluating results against a baseline to measure progress.

Much of the work performed by the PBMC is in support of the operations and maintenance of the Nevada Test Site and research and development efforts. Because of the nature of this work, DOE/NV utilizes performance fee to incentivize and reward the PBMC for performance. Performance Fee consists of two components: an objective fee component and a subjective fee component. The objective fee component (incentive fee) provides management focus and emphasis on DOE/NV's critical few management and program objectives. The subjective fee component (award fee) provides management focus on all other aspects of the PBMC's performance, to include all other performance measures, overall management acumen, customer service, problem solving, as well as other subjective factors.

The PEP is developed for the entire FY and change control is used for changes through the year. The PEP includes the incentive fee scorecards and one award fee scorecard. Based on these scorecards, an assessment of the PBMC's performance is completed at the end of 2-6 months performance periods: October 1 through March 31, and April 1 through September 30, of each FY.

## CONTRACTOR PERFORMANCE ADMINISTRATION

NV M 210.X  
8-22-00

I-2

2. INCENTIVE FEE. Based on DOE/NV's strategic vision and significant management and program objectives, the Executive Council develops and documents draft performance objectives and performance measures. To ensure a broad representation of input to the development process, each Assistant Manager defines up to two significant strategic initiatives within their respective organizations as proposed performance objectives and measures. The national laboratories and other customers also provide input through the responsible Assistant Manager. The Executive Council takes into consideration the various initiatives and determines the proposed critical few performance measures needed to achieve critical management and program objectives. The rationale for selection of the proposed performance objectives and performance measures is documented and proposed fee weights are assigned by the Executive Council. It is anticipated that five to ten performance measures will be identified. Considerations in the development of the critical few performance measures and the fee weights include the following:
  - a. Relationship to DOE/NV's Strategic Plan
  - b. Programmatic Issues and Concerns
  - c. Desired Changes in Contractor Culture
  - d. Work Scope Estimated Cost versus Proposed Fee and Weight
  - e. Customer Expectations
  - f. Challenging Expectations
3. AWARD FEE. Award Fee criteria recognize all other contract efforts, to include performance measures not recognized under incentive fee and subjective factors addressed in Attachment 7. The criteria are documented in a scorecard (Attachment 3).

# CONTRACTOR PERFORMANCE ADMINISTRATION

NV M 210.X  
8-22-00

II-1

## CHAPTER II

### PEP DEVELOPMENT

#### 1. DEVELOPMENT OF SCORECARDS.

Based on the proposed performance objectives, measures, and fee weights developed by the Executive Council, DOE/NV Division Directors develop performance expectations and associated scorecards. It is anticipated that no more than three expectations will be identified per performance measure and scorecard. The Division Directors will document the rationale for the selection of the performance measures and expectations in Attachment 5.

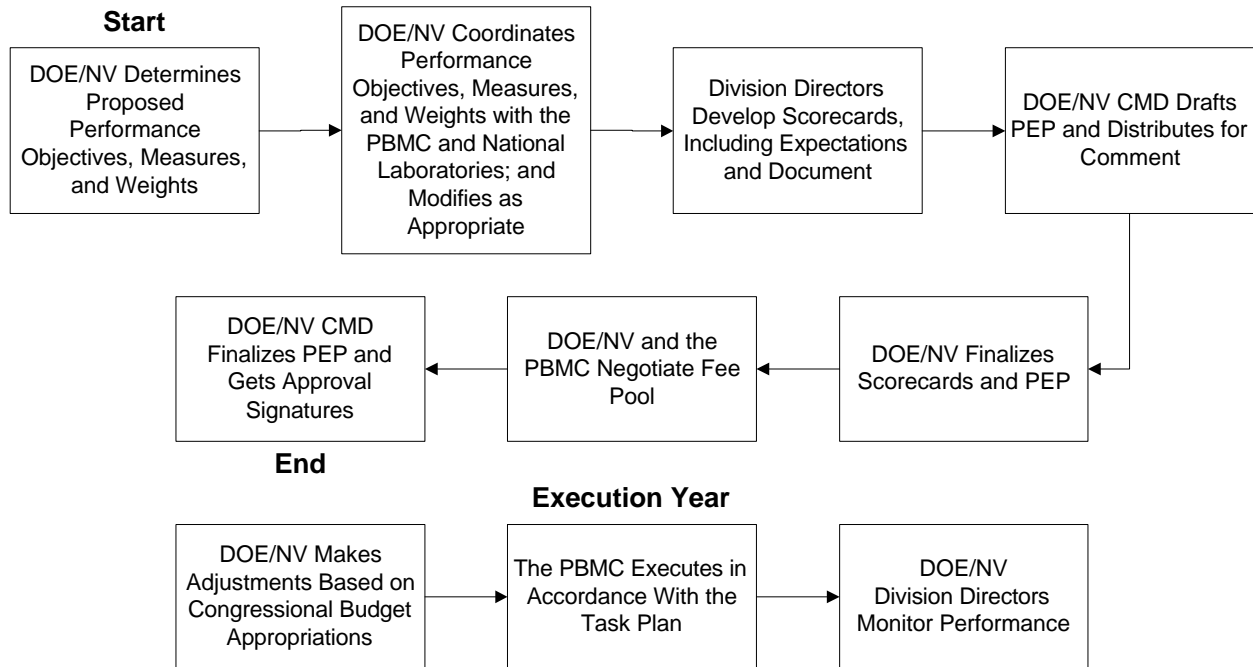
The scorecards are coordinated with the national laboratories and the PBMC (Figure 1). After coordination is completed, the Executive Council reviews the supporting documentation; resolves all issues of concern; modifies performance objectives, measures, expectations, and fee weights, as appropriate; and finalizes the scorecards. It is anticipated that the final scorecards will be provided to the PBMC 30 days prior to the beginning of the FY.

#### 2. FEE POOL NEGOTIATION PROCESS. DOE/NV and the PBMC negotiate a fee pool which is based on risk; complexity of contract effort; capital investment; the fee weight between incentive fee and award fee; and other factors.

## CONTRACTOR PERFORMANCE ADMINISTRATION

NV M 210.X  
8-22-00

II-2



**Figure 1. Flowchart for the Development of Scorecards**

3. FINALIZATION OF THE PEP. After the scorecards are finalized, CMD prepares the PEP and obtains approval of the Contracting Officer. It is anticipated that the plan will be provided to the PBMC 30 days prior to the beginning of the FY.

# CONTRACTOR PERFORMANCE ADMINISTRATION

NV M 210.X  
8-22-00

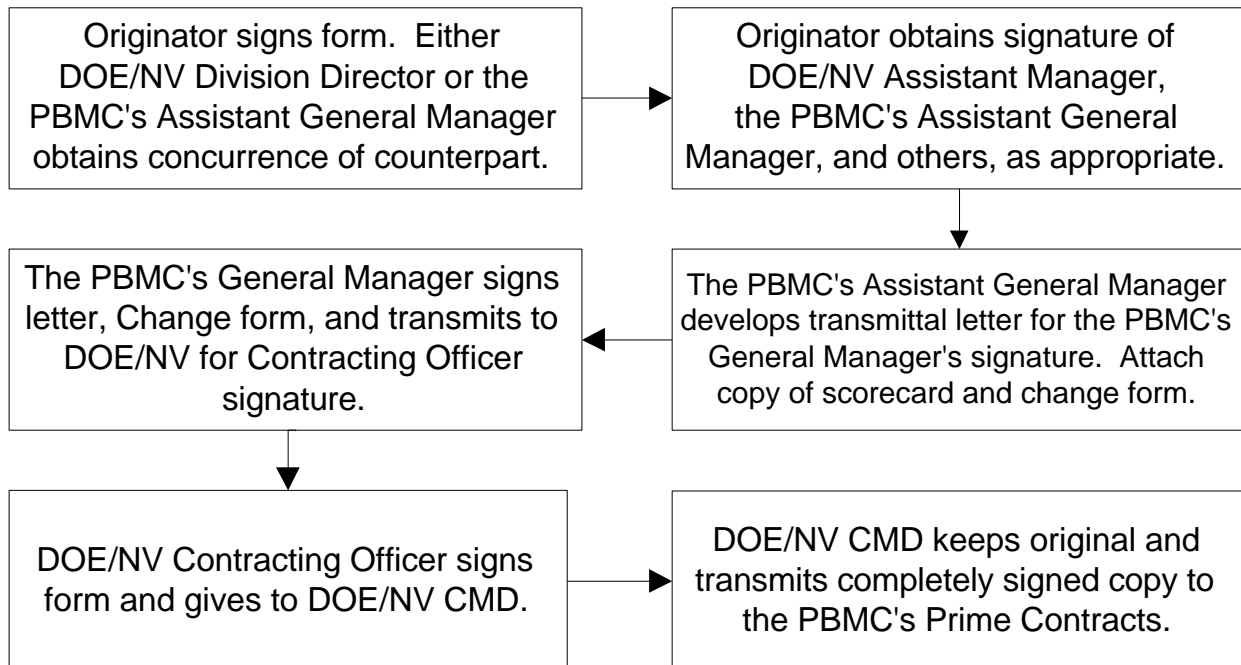
III-1

## CHAPTER III

### CHANGE CONTROL PROCESS

1. The PEP may be modified by following the change control process described below. This change control process ensures that there is sufficient analysis and coordination by all involved parties prior to making any changes to performance measures or expectations. Proposed changes to the PEP may be initiated by either DOE/NV or the PBMC. Changes may include, but are not limited to the following: delivery dates of milestones, milestone language, scope changes, and percentages assigned to performance measures. The change control process also applies to any new performance measures or expectations proposed during the performance period. A flowchart depicting the preparation, review, and approval of the PEP Change Request is shown in Figure 2.

#### **Start**



**End**

**Figure 2. Flowchart for PEP Change Request**

## **CONTRACTOR PERFORMANCE ADMINISTRATION**

**NV M 210.X  
8-22-00**

**III-2**

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2. A change to the PEP may be initiated by a cognizant party of any organization by documenting the change request (Attachment 4). The initiator discusses the proposed change with the other organization's counterpart defining the extent and nature of the change. The cognizant DOE/NV Division Director makes an assessment of the impact of the proposed change to other DOE/NV Assistant Manager programs. Those changes that affect other DOE/NV Assistant Manager's programs require review by other applicable Assistant Managers. For those changes that do not affect other DOE/NV Assistant Managers, the DOE/NV Division Director coordinates the change and obtains appropriate concurrence. Upon completion of the coordination, the DOE/NV Division Director submits the change for approval and signature to the DOE/NV Contracting Officer through the DOE/NV Assistant Manager and the DOE/NV CMD. The DOE/NV Contracting Officer reviews and approves the PEP Change Request. An informational copy of the approved change is provided to members of the Executive Council. Upon approval of a change request involving a scorecard, a revised scorecard is generated and issued. This revision would supersede the original scorecard, except that the approval signatures on the change request attached to the revised scorecard, validate the revision of the scorecard, and the scorecard need not be resigned.

## **CONTRACTOR PERFORMANCE ADMINISTRATION**

**NV M 210.X  
8-22-00**

**IV-1**

### **CHAPTER IV**

#### **PERFORMANCE EVALUATION**

1. Work is executed in accordance with the Task Plans and performance measured and monitored. Scorecards established in the current year are maintained. The PBMC contract will be evaluated in accordance with the PEP.
2. For incentive fee, the following signature process is used for interim milestones and performance measures completed. During the 10 business days before the end of the reporting period, the DOE/NV Division Director determines progress, validates, and documents completion of performance measures and expectations (Attachment 6). The DOE/NV Division Director obtains the appropriate signatures. These are the same signatures that are on the development side of the scorecard, i.e., "Performance Measure Fee Rating Criteria." In turn, the Assistant Manager forwards the scorecard and the validation sheets to CMD.
3. For award fee, DOE/NV Senior Management meet with the PBMC's Senior Management on a quarterly basis to discuss PBMC's overall performance. Ten days prior to the end of the performing period, DOE/NV CMD requests comments from DOE/HQ and DOE/NV on the PBMC's management effectiveness in meeting Award Fee Criteria. An assessment of the PBMC's performance is prepared by each Assistant Manager (Attachment 7). DOE/NV CMD summarizes all comments for consideration by the Executive Council. Approximately 2 days prior to the DOE/NV Executive Council's review of the Award Fee scorecard, a copy without the assigned rating is provided to the PBMC's General Manager for comment, as appropriate.
4. For fee determination, the PBMC's Senior Management meets with the DOE/NV Executive Council to provide a summary of the PBMC's overall performance including accomplishments and areas of concern.
5. The next step is to have the DOE/NV Executive Council convene to review all scorecards, assign an overall award fee rating without individual ratings for each award fee management expectation, determine fee earned for the Award Fee scorecard, and ensure that all required signatures are obtained. These scorecards remain in DOE/NV's possession.

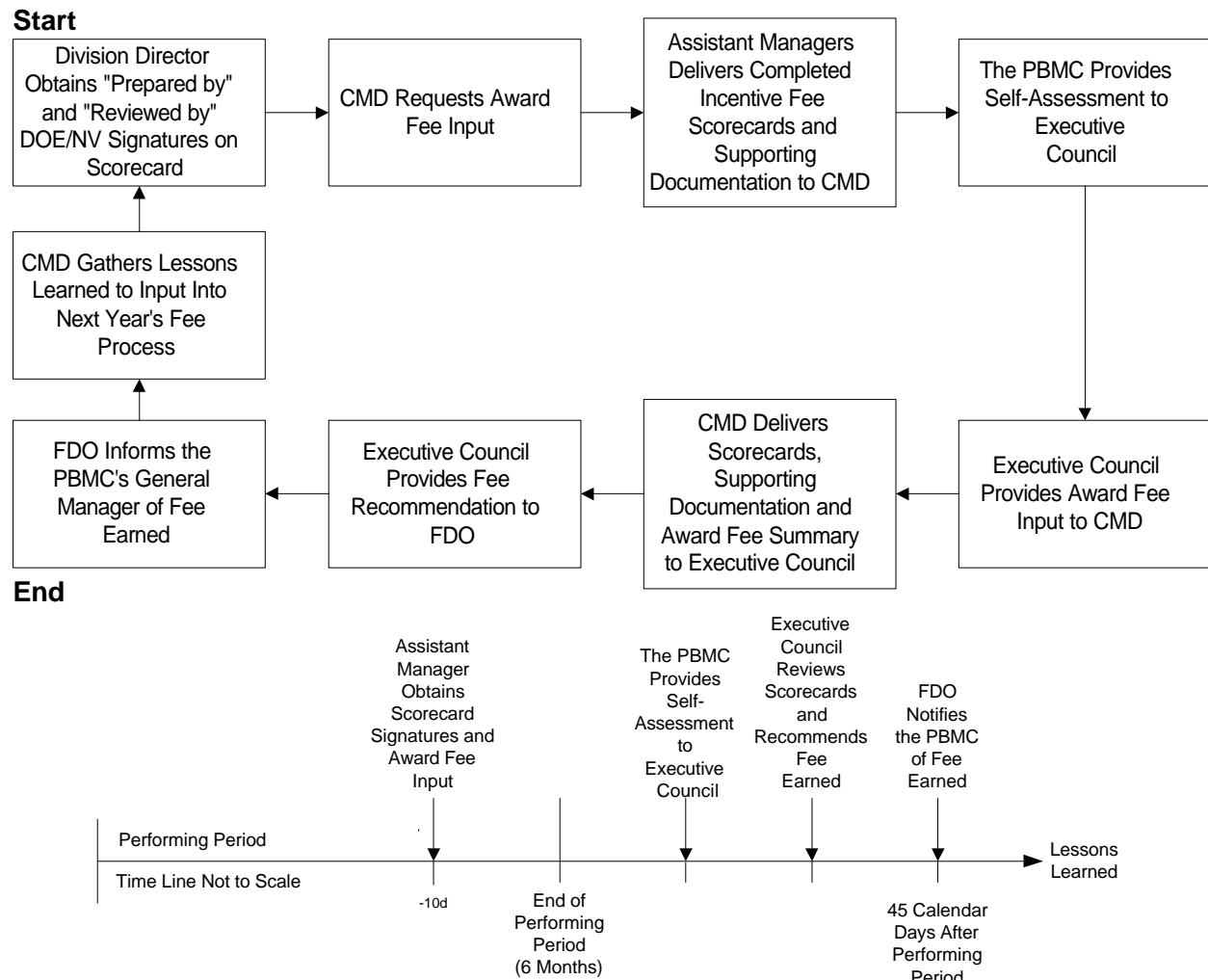


# CONTRACTOR PERFORMANCE ADMINISTRATION

NV M 210.X  
8-22-00

IV-2

6. The DOE/NV Manager meets with the PBMC's General Manager to discuss the overall performance and informs the PBMC's General Manager in writing, within 45 calendar days of the end of the performing period, of the determination and the amount of fee earned, and authorizes the PBMC to draw down earned fee. Figure 3 is a flowchart that illustrates the entire process.



**CONTRACTOR PERFORMANCE  
ADMINISTRATION**

**NV M 210.X  
8-22-00**

**Attachment 1  
Page 1 (and 2)**

**CONTRACTOR REQUIREMENTS DOCUMENT**

1. The Performance-Based Management Contractor (PBMC) shall:
  - a. Participate with the DOE Nevada Operations Office in the determination of fee process as established in this Manual.
  - b. Prepare a fee submittal package that provides an analysis of the PBMC's anticipated available fee pool.
2. The national laboratories and other customers shall:
  - a. Provide program performance expectations to the responsible Assistant Manager for consideration in developing the PBMC Performance Evaluation Plan.
  - b. Evaluate and provide input on achievement of incentive fee and award fee criteria to the responsible Assistant Manager for consideration in the PBMC's overall performance.

**Attachment 2**  
**Page 1 (and 2)**

## PERFORMANCE FEE SCORECARD

## Performance Fee Rating Report

Performance Fee Rating Criteria						Performance Fee Rating Report					
Strategic Goal:											
Performance Objective:											
Performance Measure:											
DOE Division Director:						Bechtel Nevada Assistant General Manager:		Performance Measure Number:		FY	Progress Report Achievement
Performance Expectations						Perf. Expectation (Date)		Criteria Weight (%)		Period Ending:  Performance Achievement (Date)	
						Target		Target			
Comments/Notes:						Total					
Fee Earning Criteria/Schedule:											
Documentation/Validation Requirements:											

Prepared by: DOE \_\_\_\_\_  
 Office/Assistant Manager  
 Date \_\_\_\_\_

Concurred by: DOE \_\_\_\_\_  
 As Appropriate  
 Date \_\_\_\_\_

Approved by: DOE \_\_\_\_\_  
 Contracting Officer  
 Date \_\_\_\_\_

Date \_\_\_\_\_  
 BN  
 Assistant General Manager, BN  
 Date \_\_\_\_\_

Date \_\_\_\_\_  
 BN  
 As Appropriate  
 Date \_\_\_\_\_

Date \_\_\_\_\_  
 BN  
 General Manager, Bechtel Nevada  
 Date \_\_\_\_\_

Concur: DOE \_\_\_\_\_  
 Official Assistant Manager  
 Date \_\_\_\_\_

Concur: DOE \_\_\_\_\_  
 As Appropriate  
 Date \_\_\_\_\_

Approved by: DOE \_\_\_\_\_  
 Contracting Officer  
 Date \_\_\_\_\_

**Attachment 3**  
**Page 1 (and 2)**

## AWARD FEE SCORECARD

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**CONTRACTOR PERFORMANCE  
ADMINISTRATION**

**NV M 210.X  
8-22-00**

**Attachment 4  
Page 1 (and 2)**

**PERFORMANCE EVALUATION PLAN CHANGE REQUEST**

Performance Measure Number: ..... Initiated by: ☐ DOE ☐ PBMC  
Performance Measure Description: ..... ES&H Impacts: ☐ Yes ☐ No

**DESCRIPTION OF CHANGE**

Change from: \_\_\_\_\_ Change to: \_\_\_\_\_

Reason for change: \_\_\_\_\_

Impacts (Fully describe the impacts, such as Schedule, Monetary, Scope, Performance):  
\_\_\_\_\_

**Concurrence**

DOE/NV

PERFORMANCE-BASED MANAGEMENT  
CONTRACTOR

\_\_\_\_\_  
DOE/NV Division Director

\_\_\_\_\_  
PBMC Assistant General Manager

\_\_\_\_\_  
Date

\_\_\_\_\_  
Date

\_\_\_\_\_  
DOE/NV Assistant Manager

\_\_\_\_\_  
Deputy General Manager/Assistant General  
Manager/Director

\_\_\_\_\_  
Date

\_\_\_\_\_  
Date

\_\_\_\_\_  
Other DOE/NV Concurrence (add as appropriate)

\_\_\_\_\_  
Date

**Approval**

\_\_\_\_\_  
DOE/NV Contracting Officer

\_\_\_\_\_  
Date

**CONTRACTOR PERFORMANCE  
ADMINISTRATION**

**NV M 210.X  
8-22-00**

**Attachment 5  
Page 1 (and 2)**

**CHECKLIST FOR DEVELOPMENT OF PERFORMANCE MEASURES**

**PERFORMANCE MEASURE NUMBER \_\_\_\_\_**

1. Rationale/objective(s) for incentivizing performance measure:
2. Estimated cost for the Performance-Based Management Contractor to perform the work and achieve completion of the Performance Measure, by expectation:

	% PM	\$ Value
Expectation 1	_____	_____
Expectation 2	_____	_____
Expectation 3	_____	_____
Total	_____	_____

3. Fee available for completing Performance Measure, by expectation :

	% of PM	\$ Value
Expectation 1	_____	_____
Expectation 2	_____	_____
Expectation 3	_____	_____
Total	_____	_____

4. Meets Performance Measure and Expectation Attributes? ☐ Yes ☐ No
  - Relates to DOE/NV's Strategic Plan? ☐ Yes ☐ No
  - Addresses Programmatic Issues and Concerns? ☐ Yes ☐ No
  - Indicates Desired Changes in Contractor Culture? ☐ Yes ☐ No
  - Realistic Work Scope Estimated Cost vs Proposed Fee and Weight? ☐ Yes ☐ No
  - Considers Customer Expectations? ☐ Yes ☐ No
  - Challenging work scope? ☐ Yes ☐ No
5. Are the processes and systems already in place to validate accomplishment of work?  
☐ Yes ☐ No

\_\_\_\_\_  
DOE/NV Office/Division Director

\_\_\_\_\_  
Date

\_\_\_\_\_  
DOE/NV Assistant/Deputy Manager

\_\_\_\_\_  
Date

**CONTRACTOR PERFORMANCE  
ADMINISTRATION**

**NV M 210.X  
8-22-00**

**Attachment 6  
Page 1 (and 2)**

**DOCUMENTATION OF PERFORMANCE MEASURE/EXPECTATION  
VALIDATION PROCESS**

**PERFORMANCE MEASURE NUMBER \_\_\_\_\_**

1. Methodology for validating completion of Performance Measure/Expectation.  
*(Validator to provide a brief description of the method used to validate completion of Performance Measure/Expectation.)*
  
2. Performance Measure/Expectation complete:    Yes   ☐    No   ☐
  
3. Provide a brief description of basis for response to item 2. *(Clarifying remarks regarding completion, degree of completion, or lack of completion of Performance Measure.)*

\_\_\_\_\_  
DOE/NV Office/Division Director

\_\_\_\_\_  
Date

**CONTRACTOR PERFORMANCE  
ADMINISTRATION**

**NV M 210.X  
8-22-00**

**Attachment 7  
Page 1 (and 2)**

**ASSESSMENT OF CONTRACTOR PERFORMANCE AWARD FEE REPORT**

DOE/NV OFFICE/Designated Official: \_\_\_\_\_  
PERFORMANCE PERIOD: \_\_\_\_\_

Signature: \_\_\_\_\_  
DOE/NV Office/Assistant Deputy/Manager Date

1. General Management: \_\_\_\_\_% Grade \_\_\_\_\_
  - Significant Achievements
  - Areas Requiring Improvements
  - Opportunities for Excellence
  
2. Enhance the operation safety culture at the Nevada Test Site.  
(Special Emphasis Area (SEA) 1) \_\_\_\_\_% Grade \_\_\_\_\_
  - Significant Achievements
  - Areas Requiring Improvements
  - Opportunities for Excellence
  
3. Site Operations and Infrastructure. (SEA 2 through SEA 10) \_\_\_\_\_% Grade \_\_\_\_\_



## CONTRACTOR PERFORMANCE ADMINISTRATION

NV M 210.X  
8-22-00

Attachment 8  
Page 1 (and 2)

### ASSESSMENT OF CONTRACTOR PERFORMANCE AWARD FEE EXPECTATIONS

The Executive Council shall take into consideration the overall management accomplishment, institutional management, and overall efficiency of operations in assigning a rating to the award fee scorecard. The following rating structure and percentage fee earned shall be followed by the Executive Council.

1. GRADES AND ASSOCIATED PERCENTAGE OF EARNED FEE.

- A 90%-100% Fee: Performance substantially exceeds expected levels of performance
- B 60%-89% Fee: Performance exceeds expected levels of performance
- C 30%-59% Fee: Performance meets expected levels of performance
- D 01%-29% Fee: Performance is less than expected
- E 0% Fee: Performance is unsatisfactory

2. AWARD FEE.

The Fee Determination Official (FDO) will establish the Award Fee pool on an annual basis as part of the Fiscal Year (FY) Performance Evaluation Plan (PEP). The FY PEP will also identify the fee percentages associated with General Management and Special Emphasis Area (SEA) categories. In determining the amount of Award Fee to be earned by the Performance-Based Management Contractor (PBMC), the FDO will take into consideration the PBMC's performance against the expectations identified under General Management and the SEAs.

Evaluation of award fee includes, but is not limited to: Management Practices, Communication, Customer Service, Organizational Management, and Financial Management. Consideration will also be given to complete and accurate technical information/products (delivered within mutually agree time frames) that meet all applicable codes, standards, rules, and orders.